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**Is youth unemployment really the major worry?<sup>1</sup>**

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**Abstract:** Youth unemployment is neither the only nor the basic problem of the European labour market. The comparative analysis of unemployment data demonstrates that the unemployment of older people is even more serious. The article proves that the weight of young people in total unemployment has as a tendency been declining in the “inner periphery” of the EU, among them in Central and Eastern European member states (CEECs). The trend is just the opposite in the developed or “core” countries of the Union where youngsters took a higher share in total unemployment in 2012 than 10-12 years ago. In Europe there are millions of young people beyond the active unemployed who do not want to work or think they cannot find a job that fulfils their expectations and refuse to take part in any kind of education or training (NEETs-“Not in Employment, Education or Training”). By estimating the rate of NEETs in the adult population the article claims that the NEETs-phenomenon is not the *differentia specifica* of the youth. At the end the article details two suggestions for the mitigation of the problem. It concludes that the joblessness in Europe is an old and tendentially worsening problem that cannot be solved by particular policies.

**Keywords:** crisis, labour market, NEETs, unemployment, youth unemployment, basic income

**JEL:** J08, J13, J21, O52, P16

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Youth unemployment is seen nowadays as one of the most severe problems in Europe. The leaders of the Union devoted a whole summit to the issue in July 2013. The problem seems fierce not only because jobless youth is expensive for the society – EUR 153 billion or 1.2% of the GDP in the EU in 2011 (Eurofound 2012, p.2). – but also because it affects the future of it. If an increasing part of the new generations begins its adult life with the feeling of being unnecessary and having no chance to integrate into the mainstream society, the future will be burdened with more and more inexperienced and disappointed people with all its consequences. Therefore the mitigation of youth unemployment is of utmost importance. To be successful, however, we have to understand the magnitude and the roots of the situation.

## **1 Review of the literature**

The unemployment of young people (less than 25 years of age) is not new. It first got into the focus of labour market research and government policies in the crisis of the 1970s (Clark and Summers 1978; OECD 1980; Lynch and Richardson 1982). The present crisis put the problem of the most vulnerable groups, among them the youth of the labour market, in focus in Europe and globally as well (Choudhry et al 2011; Scarpetta et al 2010; Verick 2009 and 2010; Dietrich 2012). Looking at the present and remembering the 1970s and 1980s when the youth joblessness crisis was similar, Bell and Blanchflower (2010) states that it feels like *déjà vu*.

Although the youth unemployment has an extended literature, the problem gains special attention in periods of recessions. The first analysis during the crisis of the 1970s concluded that youth employment and unemployment has a pronounced cyclical character (Clark and Summers 1978, O'Higgins, 1997), others found that the youth unemployment problem goes beyond cyclical changes and other factors such as wages, education and experience play a role in the longer term trends (Freeman and Wise 1980; Rice 1986; Ghellab 1998; Korenman and Neumark 2000; Carmeci and Mauro 2003; Caroleo and Pastore 2007). This shift of attention to institutions or "labour market rigidities" gained strength in the 1990s (Blanchard 2006). In this aspect the inefficiency of the partial labour market reforms have been revealed as well (e.g. Blanchard and Landier 2001)

Some of the papers have taken a more general view when digging for the reasons of youth unemployment. Decades ago Clark and Summers nailed down "that the lack of desirable employment opportunities is the crux of the problem for those most seriously affected by youth unemployment." (Clark and Summers 1978, p.2). Similarly, O'Higgins (2001) emphasized that youth unemployment is a reflection of a country's poor macroeconomic performance and that the argument, according to which the major cause of youth unemployment is the absence of the right skills and attitudes of the young generation is only partly true as the real reason is that the society failed to create enough jobs for them. Still he does not go beyond the institutional frames and suggests moving towards a more demand oriented strategy based on social partnership by including workers' and employers' organizations in tackling the problem. Manpower Group (2012) suggests promoting economic growth, entrepreneurship development and education among others.

Although the results of research presented a rich palette of reasons and implications of youth unemployment, education and training gained predominance as the first cause and hence the best remedy of the joblessness of the youth. It is especially true for the policy and recommendations of the European Commission.

The phenomenon what we call now NEETs (unemployed persons who are not in education or training) appeared also decades ago, albeit indirectly, by the demotivation of the young people for doing formal wage jobs and integrating into the society (Clark and Summers 1978). O'Higgins (2001) draws the attention to the fact that high levels of youth unemployment are likely to lead to alienation and social unrest.

Korenman and Neumark (2000 p.97) realizes the strong connection between adult and youth unemployment. They claim that „youth unemployment rates are much more responsive to general labour market improvements than to declines in cohort size” and a return to low adult unemployment rates can improve youth labour markets.

Although the predominant opinion is that youth unemployment tends to grow faster than adult unemployment, not all researches confirm this result. This is due to differences in methods used. Several studies build on the analysis of the variations in unemployment rates measured in percentage points. O'Higgins (2001) explains why this is not adequate to describe the relative importance of youth unemployment. Although the variations in youth unemployment rates are much larger than variations in adult unemployment rates, the two variations are proportional to one another as the youth unemployment rate is always higher than the adult unemployment rate. He states that the youth unemployment rate and adult unemployment rates are proportional on the long run. In this article we follow O'Higgins' line and analyse proportional changes instead of the changes measured in percentage points.

In spite of extensive research results, youth unemployment is still seen mostly as a particular problem. In this article I intend to reinforce those arguments that are seemingly ignored partly by the mainstream literature and definitely by the European socio-economic policies concerning the *consequence character* of the youth unemployment and suggest that its mitigation is not possible without offering a solution to the general problem of the historically increasing unemployment the reason of which lies in the laws of competition for profit.

## **2 The framework of the study**

This study aims at contributing to the better identification of the problem of youth unemployment through extending the scope of the analysis.

In my opinion, youth unemployment is not the most acute problem of the European labour market. I intend to prove it step by step beginning with the analysis of unemployment data that demonstrates that the unemployment of older people is even more serious. I also detect that in the last decade the relative importance of youth unemployment increased more in developed countries of the EU than in the CEEC or in the euro-crisis countries. We continue by broadening the scope of the investigation with NEETs. I will point out that even this phenomena is not the *differentia specifica* of the youth: it characterizes older generations too.

I use a “three dimensional” method of the analysis. As a first aspect, I examine the given problem (active youth unemployment as a take-off point) in a moment that means here a short term period since the crises. Then I compare the given problem with other aspects (the unemployment of older generations and NEETs). As a third, but simultaneously applied momentum I study the tendencies of examined variables by using long term data when available.

The article builds up as follows. In Chapter 3 I identify the youth unemployment and NEETs problem. In Chapter 4 I place youth unemployment in the context of general unemployment. Here first I intend to demonstrate the inferiority of the youth unemployment relative to the

problem of unemployment in general (Section 4.1 and 4.2). As a next step I go on with the analysis of the young and adult NEETs (Section 4.3 and 4.4). In Chapter 5 I present two initiatives offered by different segments of the European society, namely by the Commission (Youth Guarantee Scheme) and the civil society (Unconditional Basic Income).

### 3 Youth unemployment in the EU at a first glance

Youth unemployment has several direct reasons but in contemporary Europe the most frequently mentioned one is the unpreparedness of young people to enter the labour market. The reason is that Europe is in a period of Schumpeterian “creative destruction” that leads to a new economic system with new structures based on new technologies. However, Europe is not there yet. The structure and level of education are lagging behind instead of leading the technological change. From this point of view the unpreparedness of youth means *insufficient* knowledge of the youth. The *inadequate* education they receive means there is a structural mismatch between their skills and the demand of the market. Besides these two factors, but strongly related to them and the NEET-phenomenon, *disappointment* explains the joblessness of young, even well educated people to a great extent. Disappointment is the by product of every crisis, but also the sign of fundamental problems of a given society, what, very naturally, the young people feel at first.

In the EU27 the unemployment rate of those less than 25 years of age increased from 15.7% in 2007 to 22.7% in 2012 and reached more than 23% in the first half of 2013. This rate is more than twice as high as the rate of adult unemployment that was less than 9.7% in May 2013.<sup>2</sup>

Less than 30% of unemployed aged 15-24 found a job and 42% of employment contracts of young people were temporary that is four times higher than in the case of adults. Almost every third young person is working part time, ca. twice the rate of the adults in 2011 (EC 2012a, p.4; Eurofound 2012, pp.14-16). Although the rate of long-term unemployment<sup>3</sup> – if measured as a percentage of the total number of unemployed in the given age-cohort – is lower for those of 15-24 of age than for those between 25-74 (31.9% and 48.5% respectively in 2012Q3) it is much higher if the denominator is the number of the total population in the given age-cohort: 7.3% of the young population and 4.3% of the adults were unemployed for 12 months or more in 2012 (EC 2012a, p.4).

But it is not unemployment itself that makes the problem of youth so severe. The term unemployment conventionally covers only people who are not in education, want to work and actively seek a job but cannot find one. Those are the so-called active unemployed (ILO definition). There is however a large group within the young generation that does not belong to the active unemployed, but is neither in employment nor in education. They, together with the active unemployed (who are not in training) form the group of young people who are called NEETs. The identification of this group originates from the United Kingdom in the 1980s and the expression NEET was formally introduced first in 1999 (Eurofound 2012, p.20).

The Europe 2020 flagship initiative Youth on the Move mentioned the problem as a group of “young people at risk” beyond the active unemployed (EC 2010, p.16). In 2011 in the Union

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<sup>2</sup> Eurostat Statistics by theme, Unemployment rate by sex and age groups - annual average

<sup>3</sup> Unemployed for 12 months or more.

there were around 14 million young people of 15-29 years of age out of both education and work from which 8.7 million were active unemployed.

There is a difference between the concept of unemployment rate and the rate of NEETs. The denominator for unemployment rate is the active population (those who are neither employed nor in education but look for a job actively) while for the rate of NEETs the denominator is the population of the age group. So, whereas the number of NEETs is higher than that of the active unemployed, the rate of the former is lower than that of the latter.<sup>4</sup>

$$\text{Youth unemployment rate} = \frac{\text{Number of young unemployed}}{\text{Number of young people economically active}}$$

$$\text{Rate of NEETs} = \frac{\text{Number of young NEET}}{\text{Total young population}}$$

So whereas youth unemployment rate was almost 23 percent, the rate of NEETs stood at 13.2 percent for 15-24 years old and 20.6% for 25-29 years old in the EU in 2012.<sup>5</sup>

#### **4 From youth unemployment to the problem of labour market in general**

In order to better understand the problem of youth unemployment and to evaluate the youth employment policy of the EU more properly, we have to analyze the situation from several aspects. First, I investigate youth unemployment rate in the sense of ILO-definition on the long run. Second, I analyze the change of the absolute magnitude of youth and total unemployment and the relation between these two after the outbreak of the crisis (share of young unemployed – SYU). I compare the SYU to the changes of the relative sizes of youth cohort in the total (15-74 years old) population.

After analyzing these data (Section 4.1.-4.2.) I will dig into the problem of the NEETs (4.3.). In Section 4.4. I flesh the fundamental roots of youth unemployment and NEETs that go far beyond the age-cohort differences of the labour market.

##### **4.1 The youth unemployment rate**

In Chapter 3 I present data for the sharp increase of youth and general unemployment after 2007. But if we look back in time we find a different trend. In the middle of the 1990s, youth unemployment rate in the EU15 and the Euro17<sup>6</sup> was not much lower than today: 20-21% in 1995-1996 against 22-23% in 2012. Between 1996 and 2001, the rate fell to 14-15%. For the EU27 data are available only from 2000 on. Since 2000, the trends are similar in these three country-groups: between 2001 and 2004-2005, youth unemployment rate increased by 2-3 percentage points then fell again until 2007. After that it skyrocketed, and in 2009 reached the

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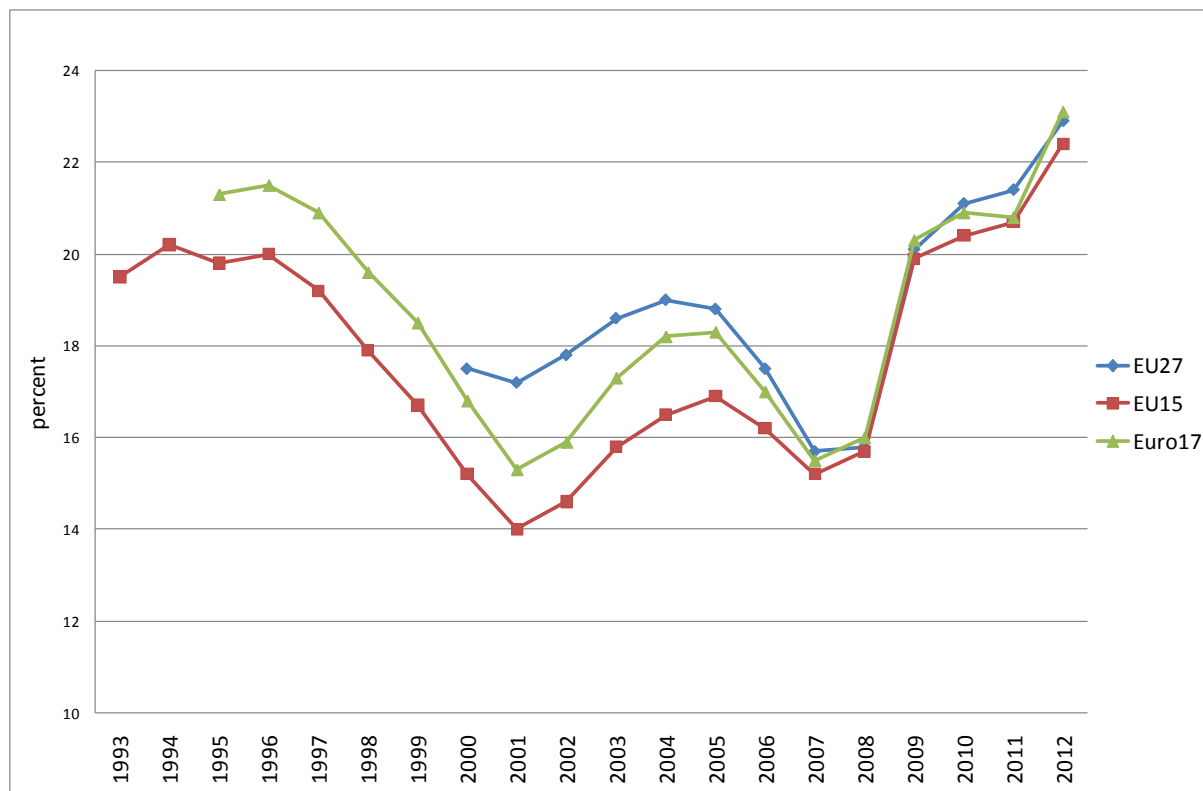
<sup>4</sup> For further explanation of the NEET concept and indicator see Eurofound (2012) pp 20-24.

<sup>5</sup> Eurostat Statistics by theme, Participation of young people in education and training, by employment status, age and sex (incl. NEET rates).

<sup>6</sup> 17 members of the Eurozone.

trend-line that began in 2000 and the rates of the three country groups became similar, moving around the 22-23% level. (Figure 1)

**Figure 1 Youth unemployment rates in the EU15, Euro17\* and EU27 1993-2012, percent**



\*: 17 members of Eurozone.

Source: Eurostat

The averages of these groups, however, hide important inner differences. For example in Spain, youth employment has always been the most fragile segment of the labour market. The rate of unemployment for people less than 25 years of age was above 40% at the time of the Spanish accession to the EU (in 1986) and after a period of decrease this rate jumped over 40% again in 1993-1994. Youth unemployment rate in Spain has been the highest in the EU15 until 1998. Since then, for a decade until the explosion of the crisis, Greece and Italy, then also some Eastern European new members have taken over the lead from Spain.

In the CEECs, trends are partly similar. Today the Baltic States, Hungary, Slovenia and Croatia have higher rates of youth unemployment than ever in the past one and a half decade. But Poland, Romania, Bulgaria and Slovakia have already produced rates in the first years of the 2000s that were close to or even higher than those in any quarters since the beginning of the present crisis.

To sum it up, today youth unemployment rates in most of the EU27 increased after 2008, but the phenomenon and even the level of youth unemployment rates are not new at all.

## 4.2 The share of youth unemployment in total and comparatively to youth population share

In the first quarter of 2008 in the EU27 youth (less than 25 years old) unemployment hit the lowest point in the preceding ten years by slightly over 4 million persons. Since then it has increased by 39.6% or by more than 1.6 million until the first quarter of 2013. However, the present level (5.6 million in 2013Q1) is higher only by 5-800 thousand or ca. 12% than it was in the first half of the 2000s.

On the other hand, the number of unemployed aged more than 25 years has increased much more dynamically than that of the young unemployed and far outstripped not only the best years before the crisis, but also the worst quarter of the 2000s (16.1 million in 2004Q4). Between 2008Q1 and 2013Q1, as a result of the crisis the number of 25-74 years old unemployed swelled by 72% or by 8.7 million.

These data hide differences between the countries. In 2012 in Spain, where youth unemployment rates are among the highest in the EU, there were half a million more young unemployed than before the crisis, but the number for 2012 (945,000) is lower than in 1996 (973,000) or in 1983-88 and 1993-95 when there were more than 1 million young unemployed in the country. As a result of the crisis the number of unemployment of those aged 25-74 years grew much faster (223% between 2008Q1 and 2013Q1) than that of aged less than 25 years (93% in the same period).

This is true also for Greece, Italy, Portugal and Ireland, where youth unemployment was not higher at the end of 2012 than it was at the end of the 1990s or in some years of the 1980s. After 2007, in all of the above mentioned five countries the level of unemployment in general and in the 25-74 age cohort increased faster than the number of young (less than 25) unemployed. Similarly, after 2007, in the CEECs the total number of young unemployed has grown slower or at about the same pace as the total number of unemployment. On the other hand, the number of young unemployed increased faster than that of the adult unemployed in the majority of most developed countries of the EU.

In spite of these the prevalent opinion is that youth unemployment is more sensitive to crisis than the total unemployment or – what is only another relation – adult unemployment. (OECD 2008, ILO 2010, Choudhry et al 2011, Bell and Blanchflower 2011). This result stems from the regression analysis of the unemployment rates of different age cohorts on the basis of the percentage point changes. This method is, however, problematic. On the one hand, the denominator of the unemployment rate tends to be much less relative to the size of population of the age cohort in the case of youth than in the case of adults because there are proportionally more young people in education than adults.<sup>7</sup> On the other hand, the use of percentage point changes of the unemployment rates in analysis, as also O'Higgins (2001 and 2010) remarks, paints a more dramatic albeit less accurate picture of the relative change in youth unemployment, since youth unemployment rate is always higher than the adult rate.

For this reason, I think the share of young people in total unemployment is a useful additional indicator for understanding the relative importance of youth unemployment in the crises and on the long run. First of all we have to emphasize that the rate of youth unemployment and the *share of young people within total unemployment* are two different ratios. The former equals

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<sup>7</sup> For this reason Choudhry et al (2011) changed the denominator of youth unemployment to the population (unemployment ratio). This, however, changes the problem without solving it because by doing this, the denominator of youth unemployment rate becomes proportionally larger than the denominator of the total or adult unemployment rate. Thus the meaning of the two unemployment indicators is different again.

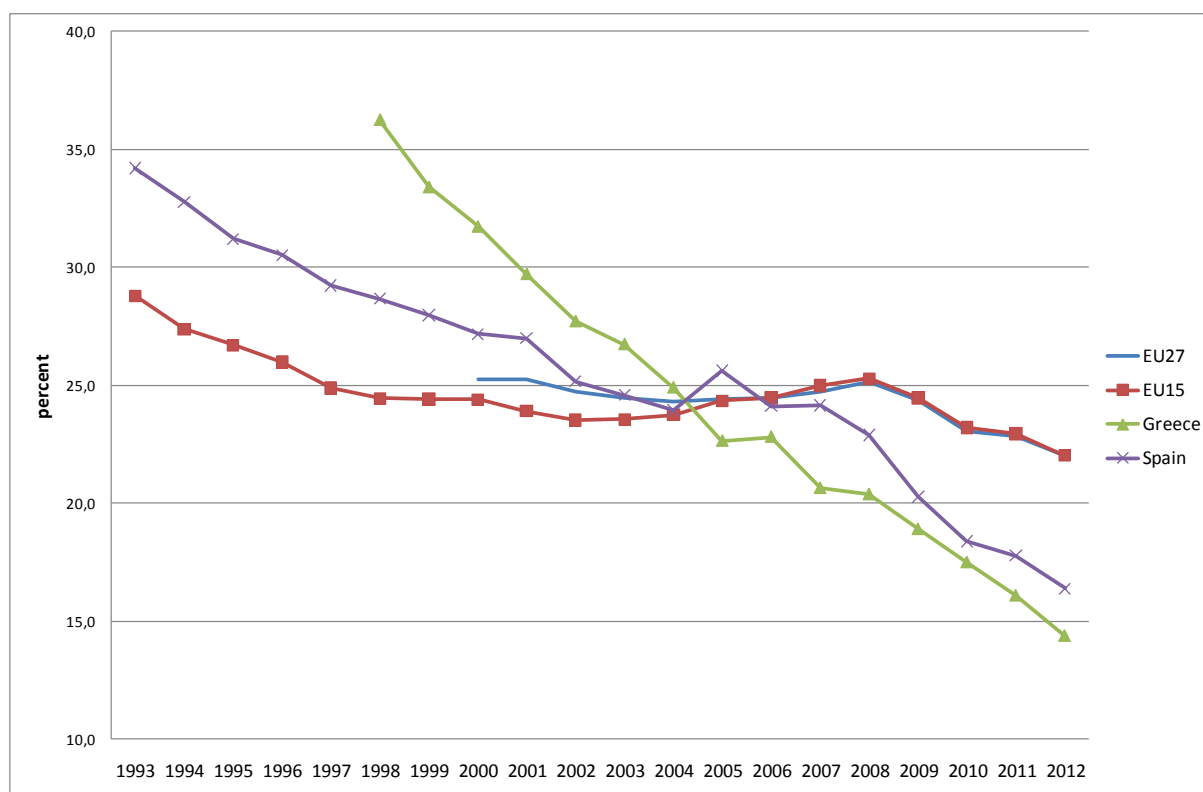
with the number of unemployed per active population (employed plus active unemployed) in the given age cohort, whereas the latter is:

$$\text{Share of young unemployed (SYU)} = \frac{\text{Number of young unemployed}}{\text{Number of all unemployed}}$$

Looking at the change in SYU in Europe the first result that has to be mentioned is that the SYU has decreased in almost all member states of the EU in the present crisis, i.e. between 2008 and 2012. That means that the relative importance of youth unemployment lessened. The longer term tendencies are also important and paint different pictures of the country groups.

The SYU was 24.3-25.2% in the EU27 between 2000 and 2008. Since 2008 SYU has been continuously decreasing and stood at 21.2% in April 2013, the lowest level ever since 2000 (the first year when data are available). This is especially true for the EU15, where the SYU was 28.8% in 1993, a record that was not even beaten in 2008 – the worst year since 1997. Since 2010 young people have represented a smaller part in total unemployment than one and a half decades before. The decreasing trend of SYU in total is even more pronounced in the case of Greece and Spain – these countries are well known for their high rate of total and youth unemployment and hence frequently used to illustrate the severity of youth unemployment. (Figure 2)

**Figure 2 Share of young unemployed aged less than 25 years in total unemployment (SYU) 1996-2012 in the EU15, EU27, Greece and Spain, percent**

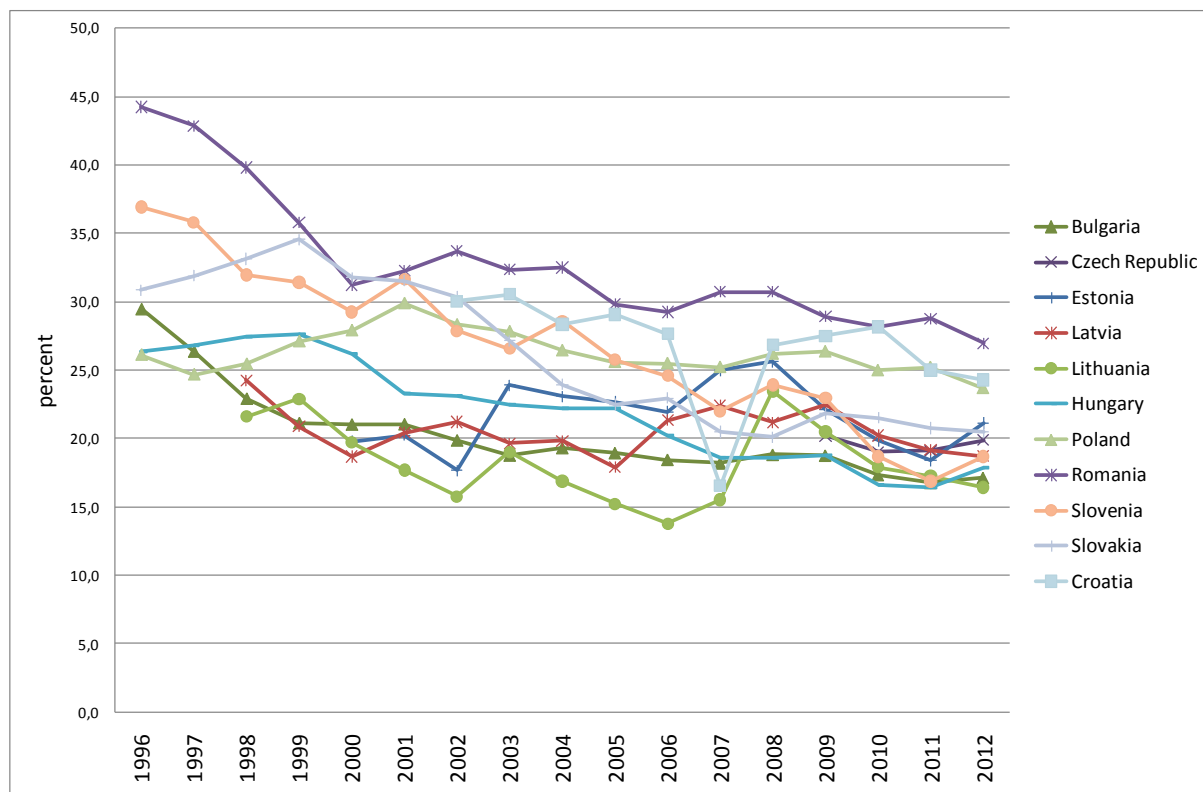


Source: Eurostat



Besides, in 2012 almost all CEECs have smaller share of youth unemployment in total than in 2008, and no CEEC has a higher rate than it had already experienced some time in the last 10-15 years. (Figure 3)

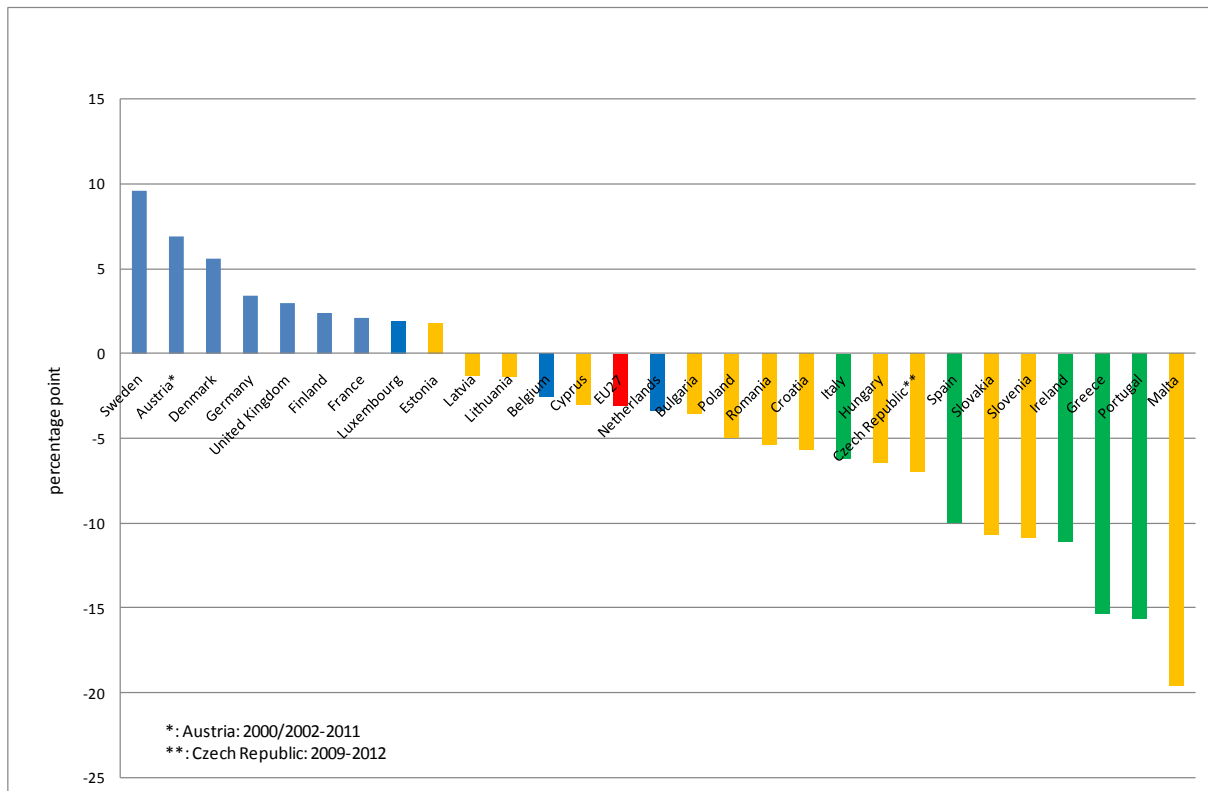
**Figure 3 Share of young people aged less than 25 years in total unemployment (SYU) in 11 new member states of the EU (percent)**



Source: Eurostat

Figure 4 shows the percentage point change of the SYU for the 27 members of the EU between the first years of the 2000s and 2012 by country groups (Figure 4). The SYU decreased first of all in the less developed member states. On the other hand in eight out of ten most developed member states the youngsters took a higher share in total unemployment in 2012 than 10-12 years ago, in spite of that their share in 2012 was usually lower than in 2008. This follows from that in these countries the unemployment of those aged 25 and over increased more than those of less than 25 years of age. Consequently, in this relative sense, the problem of youth unemployment deteriorated first of all in the more developed member states in the past decade.

Figure 4 **Change in SYU between the average of 2000-2002 and 2012 (percentage point)**



\*Austria: 2000/2002-2011. \*\*Czech Republic: 2009-2012. Blue: developed members; green: less developed members of EU15 i.e. euro-crisis countries (PIIGS); yellow: least developed members (accession in or after 2004)

Source: Own calculations on the basis of Eurostat online database, Statistics by theme, various data for unemployment

From the above we can conclude the following.

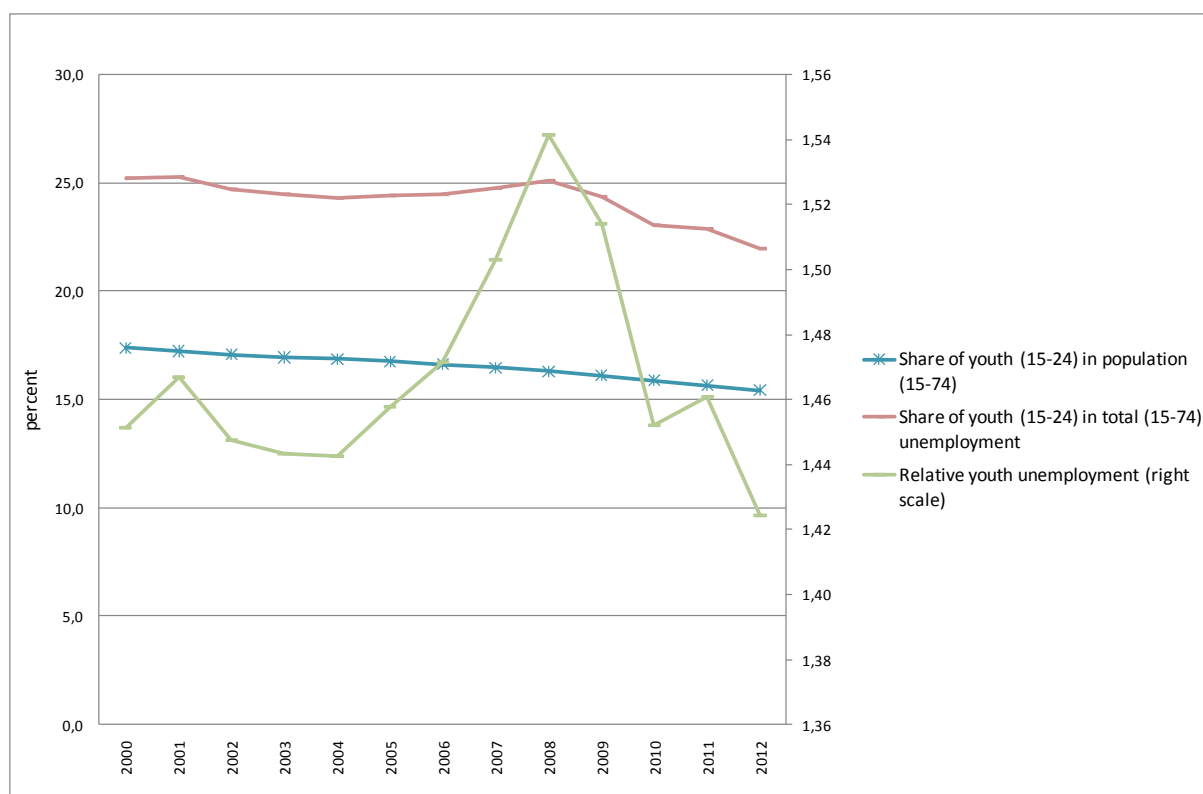
- 1) In the past long decade in the EU27 on average the elasticity of the youth unemployment rate to the adult unemployment rate was less than one. This coincides with Higgins' (2010) results for the EU in the period from 2005 to 2009 ("the elasticity of the youth unemployment rate to the adult unemployment rate has tended to be less than one". p.8) My analysis produced the same result for the OECD average in 1970-2011: in the overwhelming majority of these 32 years the youth unemployment rate increased less (in percent not in percentage point!) than the general unemployment rate.
- 2) The SYU shows different pictures in the country groups of the EU27. The SYU has as a tendency been declining in the "inner periphery" (in the less developed members) of the Union. The trend is, however, just the opposite in the developed or "core" countries.

The shrinking of young people's share in total unemployment (SYU, 15-24 years of age) can be a result of the decrease of share of youngsters (aged 15-24 years) within the population aged 15-74 years (labour force). For this reason I examined the relation of these two shares by computing a ratio that I call *relative youth unemployment* (RYU):

$$\text{Relative youth unemployment (RYU)} = \frac{\text{SYU}}{\text{Proportion of the youth in population}}$$

On aggregate level the relative size of the 15-24 age cohort in population force has been continuously down since 2000 in the EU27. On the other hand the SYU changed cyclically: increased during years of recovery built on the credit boom before the crisis and fell after 2008. The RYU has changed accordingly: increased before the crisis and then declined. In 2012 the RYU of the EU27 was lower than in any other years of the last more than a decade. (Figure 5)

Figure 5 **Relative youth unemployment (RYU) in the EU27**



Source: Eurostat, own calculations

This relative irrelevance of the cohort sizes coincides with the results of Korenman and Neumark (2000) who examined data for 15 OECD countries in the period 1970-1994 and found that relative youth cohort sizes cannot explain changes in youth unemployment sufficiently: “Youth unemployment rates are much more responsive to general labour market improvements than to declines in cohort size”. (p. 97)

The EU-average of the RYU hides differences. In 2012 the RYU was lower or the same in the majority of the 18 less developed countries of the EU28 (five euro-crisis countries, 11 CEECs, Malta and Cyprus) than in the last years of the 1990s and/or in the first years of the

2000s<sup>8</sup>. This is true only for two to three countries<sup>9</sup> out of the 10 more developed member states. In other words, in spite of the decrease after 2008, in 2012 the RYU was higher in the majority of the developed member states than at the end of the 1990s and/or the beginning of the 2000s. This result reinforces my earlier conclusion, namely, that the relative importance of youth unemployment increased first of all in the developed EU-members since the end of the 1990s.

Youth migration from the lower to the higher income countries may be a possible explanation for this phenomenon. The Spanish case, however, contradicts this hypothesis. Although immigration has been characteristic to Spain in the 2000s, the Spanish RYU has decreased between 1998 and 2012 almost continuously from 2.3 to 1.4. A more possible explanation is the growing participation of youth in third level education in the “inner periphery” of the Union. All in all a farther investigation is needed to explain the different paths of the RYU in different country groups of the EU.

The special attention that youth unemployment gained in the past few years is not satisfactorily justified on the ground of the above data, since the unemployment of adults is a more serious issue than that of the youth. But this is not the end of the investigation of the problem of youth joblessness.

Until now I examined the “active” unemployment (ILO definition). Joblessness, however, is not the same. The number of “discouraged” or “disengaged” people who are not on the labour market is on the rise and among them youngsters seem to be overrepresented. In the next chapter I will detail this problem.

### **4.3 The genesis and challenge of NEETs**

The crisis put unemployment into the limelight. However, as we see from the above, the crisis aggravated and rendered acute the already existing problems of the European labour market, but did not generate them. This is true for the unemployment in general and for its special characteristics too. For example, the problem of NEETs has already appeared long before the crisis although not in continental Europe. As we mentioned earlier, the phenomenon has already been discovered in the UK in the 1980s, but as a crucial problem, that affects several countries, was identified in Latin-America as “ni-ni” (‘ni estudia ni trabaja’ – neither studying nor working) generation in the 1990s. At the end of that decade, in Latin-America more than 20% of the youth was outside school and without a job according to the ILO (Diez de Medina 2001, p.48). Almost half of them did not even seek a job, i.e. belonged to the “ni estudian, ni trabajan, ni buscan trabajo” (“neither studying, nor working, nor wanting to work”) group, or to the NEET (Filgueira and Fuentes, 2001, p.19).

In the crisis hit-Europe, the phenomenon first became apparent as a Spanish, then as a Greek “peculiarity”, but as the unemployment in the EU was on the rise and proved to be persistent, the attention turned to the issue of youth unemployment in general. Especially because the first fire-fighting measures of the governments aimed to maintain employment. Less attention was devoted to job creation that is of utmost importance for the new entrances of the labour market, among them first of all youngsters. Thus the youth employment rate decreased much

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<sup>8</sup> I compared the national RYU in 2012 with the average rates of the 1998-1999 and 2000-2002 periods. In the case of Austria data are not available until 2011. In the case of the Czech Republic data are available between 2009 and 2012. In the case of Estonia and Cyprus data are not available before 2000. In the case of Croatia data are available since 2002.

<sup>9</sup> Netherlands, Belgium and to a lesser extent, Luxembourg.

faster than that of the other age groups. Between 2008 and 2012, youth employment rate dropped from 37.3% to 32.9%. In the same period, employment of those between 25 to 54 years of age decreased only from 79.5% to 77.2% while employment rate of the 55-64 years age group increased.

An additional problem that – similarly to all the other problems of the labour market – is not new but made the situation even worse is the insufficient rate of participation in education of the 15-24 years of age group. This rate grew fast until 2005. In 2006 it suddenly started decreasing and the following growth-path was much slower and reached the level of 2005 (60.2%) in 2009 only<sup>10</sup>.

But, probably, all these numbers would not be sufficient to get the attention of politicians in the absence of mass youth protests against the austerity measures (among them the increase of the tuition fees).

Unlike the (active) youth unemployment, in the less developed member states the NEETs-problem is more severe than in the more developed member states. The 10 most developed member states<sup>11</sup> have a diminishing share in the total number of NEETs in the Union with 35.3% in 2011.<sup>12</sup>

As far as the longer term trends of NEETs are concerned, Eurostat provides data back to 2000. Figure 6 shows that in 2012 the rate of NEETs was about the same in the 20-34 age cohort and smaller in the 15-19 age cohort as at the beginning of the 2000s. The boom in the middle of the 2000s fed by the financial bubble decreased the rate – as it decreased the rate of unemployment in general – but the crisis re-established the previous conditions.

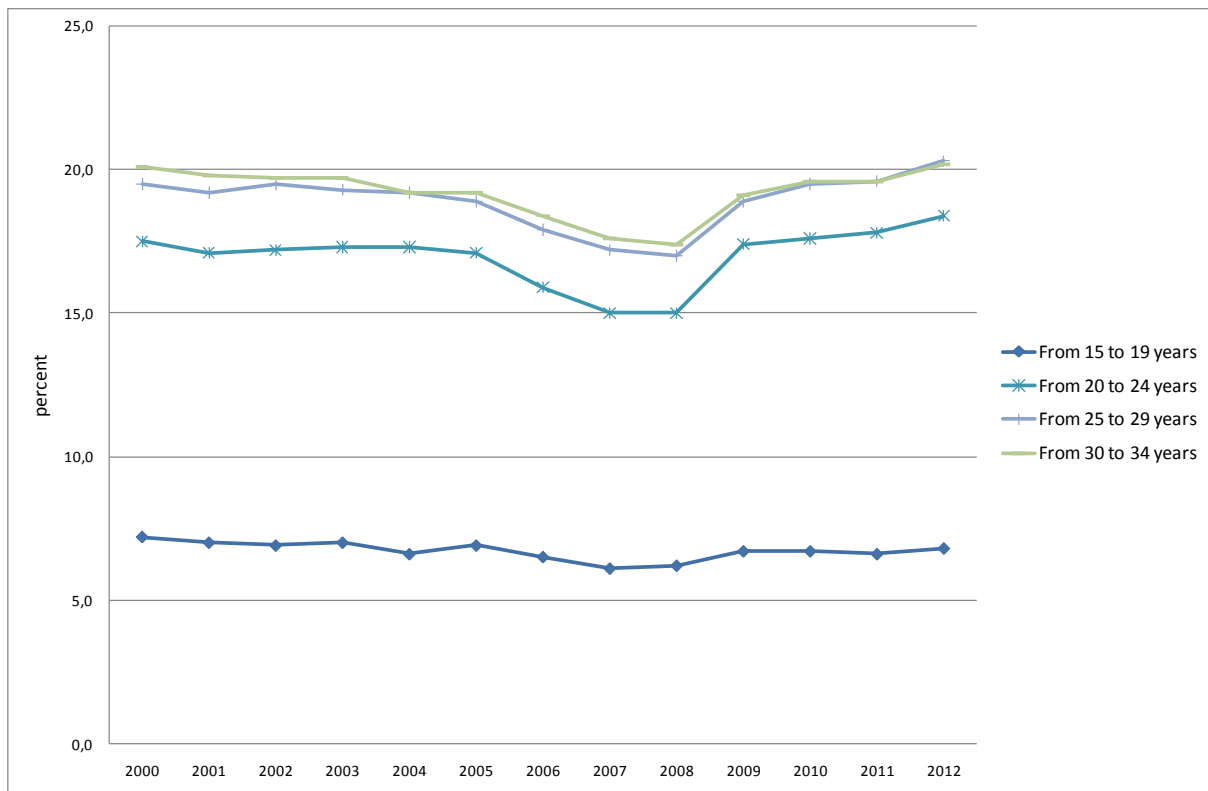
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<sup>10</sup> Eurostat statistics by theme, Participation rates in education by age and sex.

<sup>11</sup> Benelux, Austria, Denmark, Finland, France, Germany, Sweden, UK.

<sup>12</sup> Own calculation from data in Eurofound (2012) pp 76 and 79.

Figure 6 **Rate of NEETs 2000-2012, percent**



Source: Eurostat

All this leads to the conclusion that it is the NEET-phenomenon instead of conventional youth (active) unemployment that means a threat to the European labour market and to the European society in general. The threat to the society stems from the following.

First, it is well known that young people are easier to dismiss because of the temporary and other less safe or “precarious” forms of their employment and they, as new entrants, find job on a shrinking labour market with more difficulty. This makes them feel they have no perspectives and have nothing to lose. Second, due to decreasing jobs and changing technologies, employment increasingly depends upon skills and knowledge that correspond to the specific and immediate needs of companies. This means that new entrants have to surrender their life – their personal wishes, dreams, talent etc. – increasingly to the needs of the “labour market”, or, more directly speaking, to the “profitability” of firms. If they want to subsist, they have to earn money in deteriorating social circumstances as the welfare state has gradually been dismantled since the 1980s. The price of their subsistence is giving up their ideals in a wider sense. They have to be wage-earners as the “market” i.e. profitability requires, instead of having the possibility to live and work as they would like to. What is more, depressed wages allow them little room to manoeuvre between wage-work and self-realization. This makes youth disappointed and angry and inspires them to turn away from or even against the society. Third, youngsters have less social responsibilities as they have usually no children, property or social position to fear for. As a consequence, they give way to their dissatisfaction and anger more easily. They are among the first who are ready to protest, fight, occupy, insist upon their demands or pursue a more “dangerous” life.

Disappointed youngsters are jeopardizing the status quo. This is obvious if we think of movements that popped up in the last 5 years of the crisis in Europe and also in America (see

e.g. Afatsawo, 2011, Huffington, 2011, Karimi and Sterling, 2011, Sassen, 2011). Young people are not identical with the unsatisfied protesting mass at all, but they are the engine of the protests, as they were in 1968. They are going to play a more significant role in articulating the indignation of the unemployed and underpaid or indebted population, especially in countries where austerity measures seem to be never ending and/or the institutions and culture of democratic interest-representation are not developed enough. This is the case not only in countries like Greece or Spain, but also in the CEECs where the mobilization ability of traditional trade unions and grassroots civil organizations is rather weak.

For 2011, Eurofound presented maps that show the density and activity of NEETs by countries (Mascherini 2012). The proportion of NEETs is very high in Spain, Italy, Greece, Bulgaria, Romania, Ireland and high in United Kingdom and Latvia. The political and social engagement of the NEETs is highest in the most crisis-hit Eurozone members, namely Portugal, Spain, Italy and Greece.

#### **4.4 The labour market in general – NEETs are all around**

It has to be stressed that the underlying reason behind the disengagement and exclusion from the society of an increasing part of young people is the generally high unemployment. There have never been so many people without a job in Europe as there are today. Since 2009, in the EU15 the level of unemployment is higher than it was at its peak after the WWII. Then, in 1994, it was 17.7 million or 10.5%. In the EU15 the unemployment reached 20.6 million (10.6%) in 2012 and 22.3 million (11.5%) in March 2013.<sup>13</sup>

As for the EU27, the figures far outstrip the worst year (2004) since 2000 for which data are available. In 2012, there were 25.3 million unemployed, by 4.1 million more than in 2004. In 2012, the rate of unemployment in the EU27 reached 10.5% whereas it stood at 9.3% in 2004.<sup>14</sup>

And here we can deepen the analysis of the problem by investigating the rate of NEETs in the older generation. Eurostat does not give data for that, so I made calculations on the basis of other Eurostat data to estimate the NEET-rate of the adult population<sup>15</sup>. The results are summarized in Table 1.

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<sup>13</sup> Eurostat. Statistics by theme. Unemployment by sex and age groups – annual and monthly average, 1,000 persons and unemployment rate, seasonally not adjusted data.

<sup>14</sup> Ibid.

<sup>15</sup> Methodology: I used the numbers of inactive people by age group and the rate of those inactive who are in education or training in the age group of 25-64. I counted those who are unemployed, their participation rate in formal or informal education by age-cohorts. The participation rates in education are given by the Eurostat for 2007 and 2011 only, so I could count the rate of NEETs for the adults in these two years. From the number of inactive people I subtracted the old age pensioners. Other pensioners and disabled can be in the younger NEET-generations too. The number of old age pensioners in 2011 is not given by Eurostat „Social protection/Pensions beneficiaries” statistics, so I estimated it by extrapolating the data for 2006-2010. I assumed that all people over 64 years of age are old age pensioners and that all old age pensioners are older than 54 years. This influences the rate of NEETs in the 35-54 and 55-64 age cohorts but does not change the rate of 35-64 year-old NEETs. The rates of NEETs are given by the Eurostat for the 15-34 year-old population by 5-years age groups.

**Table 1 Rate of NEETs by age groups, percent**

	2007	2011
Eurostat data		
From 15 to 19 years	6.1	6.6
From 15 to 24 years	10.7	12.5
From 20 to 24 years	15.0	17.8
From 20 to 34 years	16.6	19.0
From 25 to 29 years	17.2	19.6
From 30 to 34 years	17.6	19.6
Own estimation		
From 35 to 64 years	18.1	17.6
From 35 to 54 years	16.3	15.8
From 55 to 64 years	22.6	21.9

Source: For age cohorts between 15 and 34 years: Eurostat; for age cohorts between 35 and 64 years: own calculations using Eurostat data

From the data we can conclude the following:

- Between 2007 and 2011 the rate of NEETs increased among young people and decreased in the adult population.
- Apart from the 15-19-year-age group the majority of whom are in compulsory education, the rate of NEETs is lowest in the 35-54-year-old age cohort and the highest in the 55-64-year-age group.
- Among the younger cohorts those aged from 25 to 34 years have the highest NEETs rate. This is the life-period when youngsters should start a family. The Youth Guarantee Scheme of the European Commission aims the 15-24-year age cohort only.
- The most important conclusion is, however, that there are numerous NEETs in the adult population too and there is not such a big difference among age groups regarding NEETs rates as regarding unemployment rates. Whereas youth unemployment rate is more than twice as high as adult unemployment rate, there is only a few percentage points difference in the NEETs rates (except for the 15-19 age cohort again, where the rate of NEETs is the lowest because of education). On the ground of the above data, there were 37 to 39 million NEETs in the 35-64 years of age cohort and their number was cca. 23 million in the most active cohort aged 35-54. This means 57-59 million NEETs between 15 and 64 years of age. Taking the above into consideration, the problem of young NEETs seems to be exaggerated and/or the problem of adult NEETs seems to be neglected. Concentrating on the problem of young NEETs reflects a particular view.



Farther calculations are needed to detect the long run tendencies of adult NEETs rates on the one hand and the differences of youth and adult NEETs rates in member states on the other. Adult NEETs rates in less developed countries are likely to be higher than those of more developed countries. The primary reason for that can be the more extended informal economy in less developed countries, but this fact is to be taken into account also in connection with the rate of young NEETs. Still, we have to underline that on aggregate level in the EU the “disengagement” of the adult population is no meaningfully less than that of the young population.

Taking into consideration the generally high level of NEETs and unemployment we think that in spite of the higher vulnerability of young generations, that justifies to a certain extent the special attention what they gained, the core problem is neither youth unemployment nor the young NEETs in themselves. It is the total joblessness that makes increasing youth disengagement basically unsustainable. Thus the problem of youth unemployment and young NEETs is only the tip of the iceberg and cannot be solved without curing the general problem of unemployment and adult NEETs.

## **5 Seeking a policy solution and cooperation with civil society: Youth Guarantee Scheme and Unconditional Basic Income**

The Youth Guarantee Scheme of the EU aims at ensuring that young people under the age of 25 are either in job or in education within four months after having left the school or their last job. To this purpose the Commission devotes EUR 8 billion in addition to the already existing EU funds between 2014 and 2020. The scheme is to be introduced by each member state in 2014.

The idea is not new in Europe as there have been similar systems for example in Finland (what was a kind of “pattern” for the initiative of the Commission) and also Austria, France, the Czech Republic, Denmark. Hungary launched its “First Job Guarantee” program in August 2012. In Austria, the “Training Guarantee” program was introduced in 2008 (EC, 2012a, p.14-15).

There are at least three basic problems with the YGS.

First, the YGS does not help NEETs between 25 and 34 years of age, the rate of whom is the highest among younger population. Besides, neither the YGS nor other initiatives of the European Commission or the national governments are suitable to solve the long-term problem of increasing joblessness in general.

Second, the question is, what kind of education, training, job and, first of all, what perspective young people will get from the YGS or similar programs. For example, the present Hungarian legislation concerning vocational training is in line with the YGS inasmuch as it supports vocational education in secondary schools. The crux is, however, that in the same time the government lowered compulsory school attendance age from 18 to 16 years. This measure testifies the nowadays prevailing view that the goal of the education system is or should have to be to create new labour force as quickly as possible for the “business” i.e. to earn profit. In vocational education little or no general knowledge is taught as there is obviously no need for that in most segments of production where “skilled” young people are to be employed. The obvious priority is the employability of the youth. Furthermore, the well known demand of “the industry” for quick and “practice oriented” education contradicts the other slogan that is frequently voiced by political and scientific circles, namely that Europe has to become a

“knowledge-based society”. To sum it up a “whatsoever” type of education and training cannot satisfactorily decrease the number of NEETs on the long run.

The third problem is financing. The YGS offers 8 billion Euros for 7 years, which means 1.14 billion Euros per year for regions with levels of youth (less than 25 years of age) unemployment higher than 25%. If we presume that only half of the 7.5 million NEETs under 25 years live in such regions we conclude that YGS offers around 2,100 Euros per head of NEETs.

According to the evaluation of 28 Swedish projects implemented between 2007 and 2012, the potential gains from the measures helping young people (between 18 and 30) to reintegrate into the labour market reach 4,200 Euros in the first year and 51,870 Euros per participant over five years. For this, however, Swedish authorities together with the European Social Fund have spent 7,810 Euros per participant of the projects on average (EC 2012b p.13). According to the ILO the full integration of the younger NEETs is even more expensive. In 2010 the cost of the Swedish job guarantee program for those between 18 and 24 years of age was close to 6,000 Euros per participant. As a result, 46% of the participants had „successful outcomes”. (ILO 2012 p.46) This means, that around 12,000 Euros were needed to help one NEET back to the labour market or education.

So, even if we take into consideration the differences of price levels of the member states and count with half of the Swedish costs only, the member states have to double the YGS from the national budgets in order to give effective help for only half of the 7.5 million 15-24-year-old European NEETs. According to the ILO (2012, p.48) implementing a young guarantee programme would cost about 21 billion Euros in the Euro zone only. There are however no additional resources, particularly in those countries where the problem is the most severe and tackling the high level of general unemployment demands also extra efforts from them.

There is another initiative that reflects a more complex approach. It stems from the European civil society and aims at changing the position of wage labour in Europe, solving the problem of unemployment for good and all while liberating the proactive spirits of the society. The idea is the *unconditional basic income* (UBI) that is neither new nor unknown in the world, but is currently applied by some rich oil countries only. The concept originated from Thomas Pain in the 18<sup>th</sup> century, fed the development of the welfare state until the 1980s and has been updated to the present European circumstances in the last decade (Van Parijs 2004). The concept has been debated for long (see e.g. White 1997, Van Parijs 1997, Van Der Veen 1998, Tod 2008, Goedemé and Van Lancker 2009). The essence of the idea is that every person, irrespective of age, position, profession etc. would be entitled to receive an amount that provides for a decent standard of living. (ECI 2013a and 2013b, Häni and Schmidt 2013, Wortstall 2013). The protagonists argue that in such circumstances where people are liberated from the pressure of wage labour the productivity of the society would enhance. The initiative contains a tax-reform element too. The unconditional basic income was registered as European Citizens’ Initiative in January 2013 (EC 2013). The remit of the UBI is that, unlike the YGS, it treats the problem of the European society in its complexity, tackles the root of the problem and offers a similarly complex solution.

The UBI seems to be even more problematic than the YGS from the viewpoint of financing, elaborating the institutions and changing the society’s general way of thinking. But Europe’s problems, namely the growing joblessness, poverty, income differences, dissatisfaction with the European Union and the welfare state in general are complex issues themselves. So the possible solution will not be simple, low cost and rapid either.

## 6 Conclusion

The problem of youth unemployment has been present in Europe for decades. Although the crisis hit youngsters badly, the unemployment of older people grew more. The share of youngsters within total unemployment is smaller now than it was ten years ago in the majority of the less developed countries of the EU. This cannot be explained by the decreasing trend of the proportion of the youth in the total population, as the trend of RYU testifies. On the other hand, in the majority of the most developed member states the weight of youth unemployment in total tends to be higher and has increased more than in the less developed members since the beginning of the 2000s.

It is the NEET-phenomenon instead of conventional youth (active) unemployment that means a great threat to the European labour market and to the European society in general. But what is more important: the long-term problem of youth employment and the increasing rate and number of young NEETs are only the consequences of the tendentially increasing total unemployment, the high rate of NEETs of the adults and the increasing polarization of the society. For these problems the EU and its Youth Guarantee Scheme does not offer an adequate solution.

The engine of our market economy nowadays is the imperative to be competitive, and sufficiently profitable on the market. The profit motive looks for cheaper unit labour costs, and thus causes a historically and tendentially increasing unemployment that inevitably leads to the rise of workless and disappointed generations. This tendency can be broken by ensuring a safe existence and participation in the society for all its members. Instead of or at least along with the particular and old methods of curing the immediate problems only a fundamentally changed and complex view of the labour market can help. The Unconditional Basic Income initiative of the European civil society is exemplary. In the absence of such an approach, particular policies, programs and schemes be these ever well elaborated and financed can only offer temporary success at best.

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